

Internal Revenue Service

Department of the Treasury

District
Director

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date: OCT 15 1980

Dear Applicant:

We have considered your application for exemption from Federal Income Tax as an organization described in section 501(c)(4) of the Internal Revenue Code of 1954.

The information submitted discloses that you were formed on [REDACTED] in the State of [REDACTED].

The purposes for which your organization was formed are the maintenance and preservation of the common area of your condominium housing project. Your membership consists of the owners of the condominiums. Your activities include obtaining gardening and refuse services, securing insurance coverage on common property, arranging for common area repair, and providing water service for the project. Receipts are derived from members' assessments.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from income tax under Section 501(a) and reads, in part, as follows:

"(4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, education, or recreational purposes."

The Income Tax Regulations section 1.501(c)(4)-1(a) states that a civic league or organization described in section 501(c)(4) may be exempt if it is not organized or operated for profit and it is operated exclusively for the promotion of social welfare. The Regulations further describe social welfare activities as promoting in some way the common good and general welfare of the people of the community. An organization coming within the purview of this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

DATE	INITIALS	REVENUE	REVENUE	REVENUE	REVENUE	REVENUE	REVENUE
08/26/80	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
09/26/80	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
09/29/80	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

DEPARTMENT OF THE TREASURY - INTERNAL REVENUE SERVICE

RECEIVED AND CLEARED

FORM 1007-2 (Rev. 7-79)

By virtue of the essential nature and structure of a condominium system of ownership, as reflected in enabling legislation that has been enacted by the various states, it is apparent that the rights, duties, privileges, and immunities of the members of an association of unit owners in a condominium property derive from, and are established, statutory and contractual provisions and are inextricably and compulsorily tied to the owner's acquisition and enjoyment of his property interests in the condominium.

The condominium system of ownership necessarily entails ownership in common by all condominium unit owners of a great many so-called common areas or elements directly essential to and supportive of the individual units of the condominium in either a structural or a functional sense, or both.

Based on the above, it is our opinion that the direct economic benefits from the activities of condominiums are clearly for their members as individuals and not for the betterment of the community as a whole. Furthermore, the owners receive an indirect benefit through the increase in value of their undivided interest in the property in the event they sell their interest. Therefore, condominiums are not primarily engaged in promoting in some way the common good and general welfare of the people of the community and are not operating exclusively for the promotion of social welfare. Thus, they are not entitled to recognition of exemption under section 501(c)(4) of the Code. Nor do we know of any other provision of section 501(c) of the Code under which homeowners associations of this kind can qualify for recognition of exemption. Please refer to Rev. Rul. 74-17, I.R.B. 1974-2,11.

Accordingly, we hold that you are not an organization operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) since you are not primarily engaged in promoting the common good and general welfare of the people of the community. Therefore, you do not qualify for the exemption as an organization described in section 501(c)(4) or any other section of the Code.

You are required to file Federal Income Tax returns on Form 1120.

If you are in agreement with our proposed determination, we request that you execute the enclosed agreement form 6013. Please note the signature instructions on the back of that form.

If you are not in agreement with our determination, we recommend that you request a hearing with our Office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the Office of Regional Director of Appeals or, if you request, at a mutually convenient district office. A self-addressed envelope is enclosed.

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If we do not receive a protest from you within 30 days from the date of this letter, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies and this letter will become final. If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Very truly yours,

District Director

Inclosures:
Form 6018
Publication 892
Envelope